



FORTY-EIGHTH ANNUAL REPORT

FISCAL YEAR 2003-2004

POOLED MONEY

INVESTMENT

BOARD

PHIL ANGELIDES
State Treasurer and Chairman

Preface

Pooled Money Investment Board

The Pooled Money Investment Board, created by the Legislature in 1955, is comprised of the State Treasurer, as chairman; the State Controller and the Director of Finance. At the end of fiscal year 2003-04, the members were Phil Angelides, Treasurer; Steve Westly, Controller and Donna Arduin, Director of Finance.

The purpose of the Board is to design an effective cash management and investment program, using all monies flowing through the Treasurer's bank accounts and keeping all available funds invested consistent with the goals of safety, liquidity and yield.

The law restricts the Treasurer to investments in the following categories: U.S. government securities; securities of federally-sponsored agencies; domestic corporate bonds; interest-bearing time deposits in California banks, savings and loan associations, and credit unions, prime-rated commercial paper; repurchase and reverse repurchase agreements; security loans; banker's acceptances; negotiable certificates of deposit and loans to various bond funds. Subsequent sections of this report deal individually with the demand account and investment programs for which the Board has oversight responsibilities, and which the Treasurer directly administers.

During the 2003-04 fiscal year, program earnings totaled \$836 million. Approximately \$340 million of this amount was credited to units of local government as a result of their deposits in our investment pool. This level of voluntary participation, which averaged \$22.145 billion, reflects the confidence they have in our investment management capabilities. The magnitude of these investment earnings provide a significant reduction in the tax burden that otherwise would have been imposed on the citizens of California.

Pooled Money Investment Board

Forty-Eighth Annual Report

Fiscal Year 2003-2004

Table of Contents

	Page
 POOLED MONEY INVESTMENT BOARD (PMIB)	
Preface.....	i
 OVERVIEW	
The Year in Review	1
Investment Activity FY 1995 through 2004	1
2003-04 Investment Market Conditions & Monthly Yields	2
Comparison of the Portfolio and Earnings FY 1995 through 2004	3
 POOLED MONEY INVESTMENT ACCOUNT (PMIA)	
Summary Statistics.....	4
Demand Account Program.....	5
Rate Schedule for Banking Service.....	6
Average Daily Balance in Demand Bank Accounts	7
Investment Program	8
Schedule of Security Purchases - by Term	9
Analysis of the Portfolio	9
Time Deposits by Month End	10
Summary of Investments and Earnings.....	11-12
Financial Community Coverage	13
 SURPLUS MONEY INVESTMENT FUND (SMIF)	
Program Summary	14
Earnings for 2003-04	14
Participation	15
The Year in Review	15
Resources of the SMIF.....	16
 LOCAL AGENCY INVESTMENT FUND (LAIF)	
Program Summary	17
Earnings for 2003-04	17
Participation	17
The Year in Review	17
Resources of the LAIF	18
 Appendix A - PMIA Summary of Investments and Earnings, 1957 through 2004.....	
Note To PMIA Summary of Investments and Earnings	20
Appendix B - Historical PMIA Yields.....	21-30

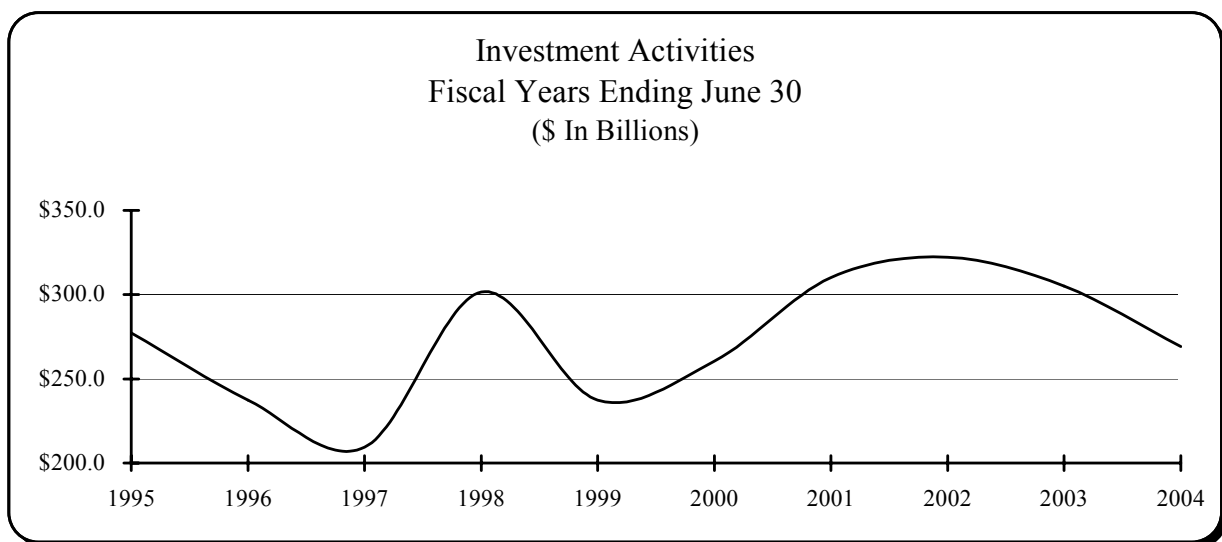
Overview

The Year in Review

Average Daily Portfolio	\$54,581,849,794
Earnings	\$836,071,666
Effective Yield	1.53%

Investment Activity for the Fiscal Years Ending June 30 (\$ In Billions)

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Amount	\$277.4	\$237.4	\$209.3	\$301.6	\$237.3	\$260.6	\$310.2	\$322.3	\$305.1	\$269.1
Transactions	6,351	5,721	5,120	7,108	5,804	6,447	7,889	8,025	7,524	6,630



Source: State Treasurer's Office, Division of Investments

2003-04 Investment Market Conditions

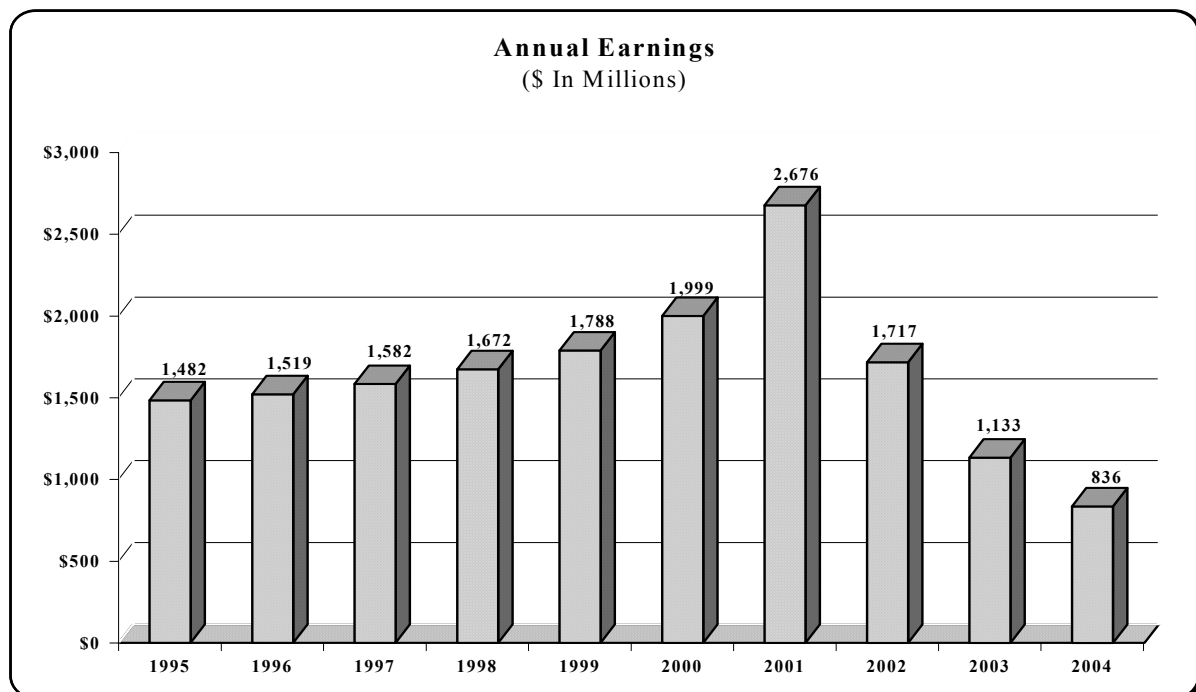
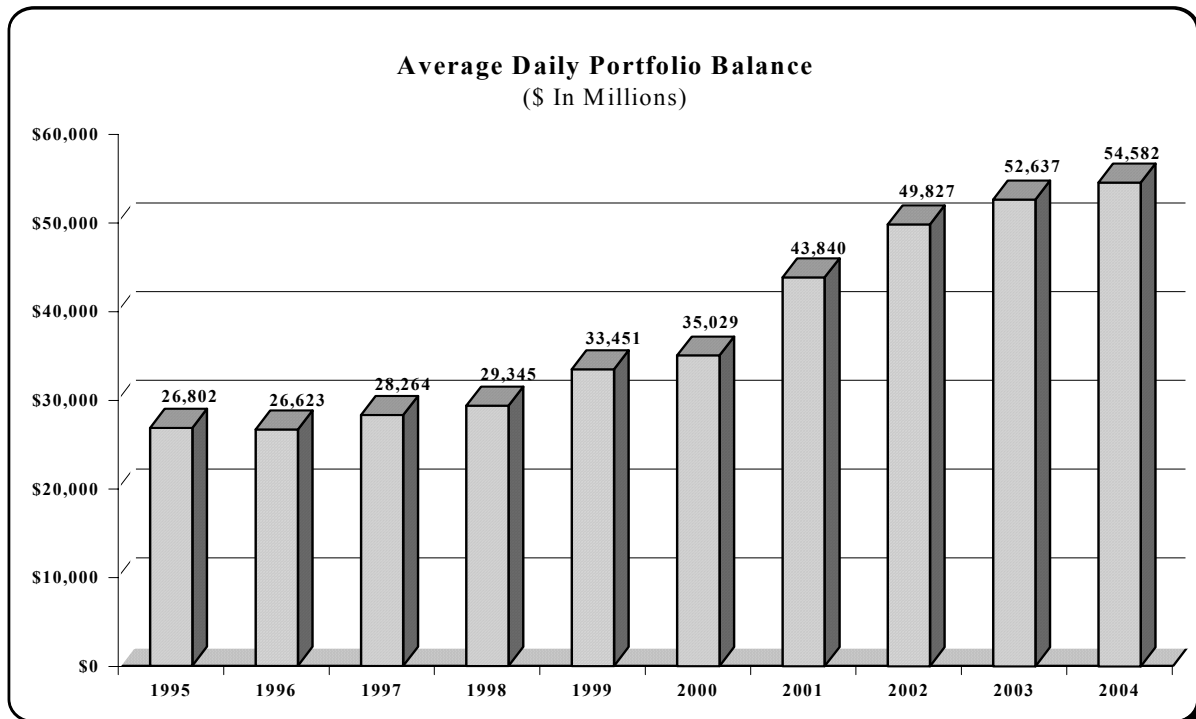
To indicate prevailing market conditions during the 2003-04 fiscal year, the following table shows monthly money market rates, as computed from daily closing bid prices. The information was obtained from Federal Reserve Bulletins published by the Board of Governors, Federal Reserve System, and the Bureau of Public Debt.

Monthly Yield on Money Market Securities (Yield in Percent Per Annum)

Month	Federal Funds	3-Month Treasury Bills	90-Day Finance Company Commercial Paper	90-Day Certificate of Deposits	6-Month Treasury Bills	1-Year Treasury Bills	3-Year Treasury Issues
July 2003	1.01	0.90	1.03	1.05	0.95	1.12	1.93
August	1.03	0.95	1.06	1.08	1.03	1.31	2.44
September	1.01	0.94	1.06	1.08	1.02	1.24	2.23
October	1.01	0.92	1.06	1.10	1.01	1.25	2.26
November	1.00	0.94	1.08	1.11	1.02	1.34	2.45
December	0.98	0.90	1.07	1.10	1.06	1.31	2.44
January 2004	1.00	0.89	1.04	1.06	0.97	1.24	2.27
February	1.01	0.92	1.03	1.05	0.99	1.24	2.25
March	1.00	0.94	1.03	1.05	0.99	1.19	2.00
April	1.00	0.95	1.06	1.08	1.08	1.43	2.57
May	1.00	1.04	1.16	1.20	1.31	1.78	3.10
June	1.03	1.27	1.39	1.46	1.58	2.12	3.26
2003-2004 Average	1.01	0.96	1.09	1.12	1.08	1.38	2.43
2002-2003 Average	1.42	1.30	1.40	1.42	1.31	1.45	2.18
Increase-(Decrease)	-0.41	-0.34	-0.31	-0.30	-0.23	-0.07	0.25

Note: 3 - 6-month Treasury Issues and 90-day Commercial Paper are quoted on a discount basis, 1 - 3-year Treasury Issues are quoted on a constant maturity basis.

Comparison of Portfolio Balance and Earnings for Fiscal Years Ending June 30, 1995 through 2004



Source: State Treasurer's Office, Division of Investment

Summary Statistics

Resources	\$	56,031.4	million per day on the average
Demand Accounts.....	\$	1,449.6	million per day on the average
Portfolio.....	\$	54,581.8	million per day on the average
Earnings	\$	771.8	million from security investments
		61.3	million from bank time deposits
		3.0	million from General Fund loans
Earning Rate		1.53	percent average for all investments
Dollar Value of Investment Transactions	\$	269.1	billion
Number of Investment Transactions		6,630	transactions
Time Deposits		106	banks, credit unions and savings banks held PMIA money at year-end

Source: State Treasurer's Office, Division of Investment

Resources of the Pooled Money Investment Account averaged \$56,031,430,794 per day during the fiscal year although the daily figures fluctuated widely with receipts and disbursements. The high point for the year occurred on May 25, 2004, when the total reached \$69,968,837,948. Resources for the account were lowest on September 10, 2003, when balances totaled \$51,584,794,178.

A breakdown of an average day's resources during the fiscal year shows the following: \$1.450 billion in non-interest-bearing bank accounts; \$48.856 billion in securities and General Fund Loans; and \$5.726 billion in interest-bearing time deposits.

On the closing day of the fiscal year, the following resources were on hand in the Pooled Money Investment Account:

Demand bank account	\$ 1,256,652,097
Time bank account	5,796,795,000
Securities	<u>51,777,211,076</u>
Total Resources	\$58,830,658,173

Demand Account Program

Investments of the PMIA are made from monies flowing through the Treasurer's demand (non-interest-bearing) bank accounts maintained in the seven banks that serve as State depositories. Currently, the seven depository banks are: Bank of America, California Bank & Trust, Union Bank of California, Bank of the West, U.S. Bank, Wells Fargo Bank and Westamerica Bank. A small portion of these funds must remain in the accounts as compensating balances which consist of (1) a balance for uncollected funds and (2) a balance for banking services. Uncollected funds represent the total dollar amount of checks deposited by the State for which the banks give immediate credit, but for which they do not receive good funds until these checks are presented to the banks on which they are drawn. The State allows the banks an average balance for uncollected funds equivalent to 1.3 calendar days on all checks deposited other than cashier's checks and checks under the presort of deposit system.

Under the presort of deposit system, the major revenue collecting agencies sort their checks by the seven State depository banks and then deposit them directly in the banks on which they are drawn, thus avoiding the need for providing bank balances for uncollected funds. The remaining checks are deposited under a contract whereby the depository bank receives bank balances equivalent to 1.345 calendar days for the amount of such deposits.

The balances allowed for banking services represent compensation for handling 388,861 deposits, 54.9 million checks deposited, 390,509 dishonored checks, \$781 million in currency deposited, \$10.7 million in coin deposited, 120.2 million warrants and 1,072 checks paid.

All amounts in excess of these compensating balances are promptly invested by the Treasurer. Intensive and expert analysis of receipts and disbursement data is used daily to estimate the State's rapidly shifting cash position in order to determine exactly how much money is available for investment. This results in maximum earnings consistent with prudent management.

Compensating balances are determined by a formula, which accounts for the estimated volume of each service item as well as its unit cost. The rate schedule for the compensating balance formula is determined through annual negotiations with the State's depository banks and the cost for any particular service may be raised or lowered as conditions warrant. Adjustments for the difference between actual and estimated work load for any fiscal year are made in the following fiscal year. The State made no changes in the rate schedule for banking services for the 2003-04 fiscal year. In addition to the rates shown below, the State agreed to include the costs of account reconciliation and electronic funds transfer services within the compensating balance formula starting in the 1991-92 fiscal year.

The costs for these two services are paid (with balances) on a lagged, actual basis when billed by each bank. The banks were subject to the following rate schedule for the 2003-04 fiscal year:

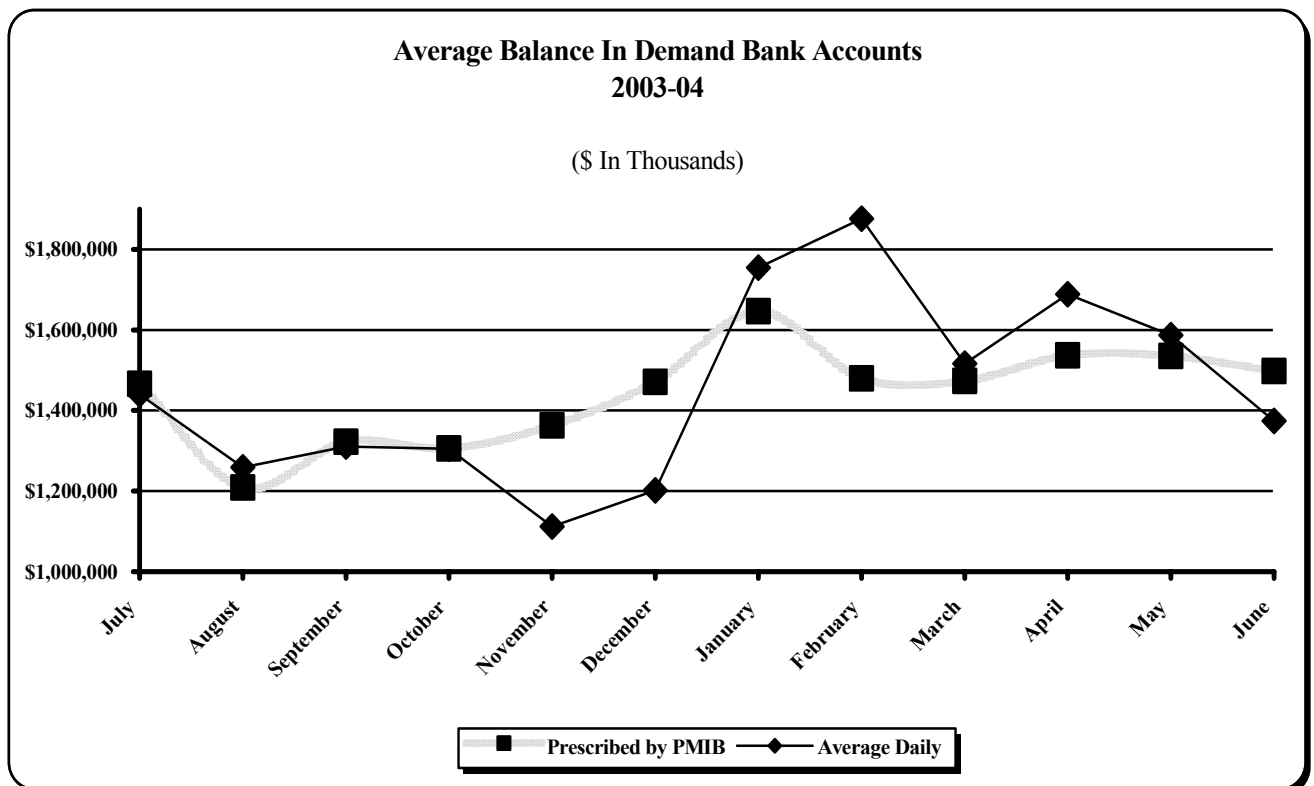
Rate Schedule For Banking Services 2003-04 Fiscal Year

Encoded Checks Deposited	
"On Us".....	\$ 0.040
"Other".....	0.053
Non-Encoded Checks Deposited.....	0.090
Warrants Paid.....	0.010
Checks Paid.....	0.120
Dishonored Checks.....	2.750
Deposits.....	1.400
Split Bags Deposits.....	0.550
Coin Deposited.....	11.00 per thousand
Currency Deposited.....	1.05 per thousand
Account Maintenance.....	15.00 per month
Daily Statements.....	6.00 per statement

Source: State Treasurer's Office, Division of Cash Management

Average Daily Balance in Demand Bank Accounts 2003-04 (\$ In Thousands)

Month	Bank Balance Required for Banking Services	Bank Balance Required for Uncollected Funds	Less Net Delayed Deposit Credit	Bank Balance Prescribed by PMIB	Actual Average Daily Bank Balance
July 2003	\$1,338,788	\$139,696	\$12,378	\$1,466,106	\$1,440,024
August	1,053,666	176,169	20,839	1,208,997	1,258,661
September	1,173,600	165,252	16,337	1,322,515	1,310,700
October	1,172,895	145,440	12,708	1,305,627	1,305,313
November	1,189,416	176,405	3,052	1,362,769	1,111,977
December	1,306,111	171,917	7,208	1,470,820	1,201,935
January 2004	1,369,135	280,867	3,514	1,646,489	1,754,776
February	1,379,947	110,352	10,230	1,480,069	1,876,294
March	1,337,090	140,308	3,888	1,473,509	1,516,716
April	1,265,964	272,672	1,276	1,537,360	1,688,779
May	1,283,155	254,111	1,793	1,535,473	1,587,050
June	1,294,415	201,792	1,521	1,497,228	1,373,943
Weighted Average	\$1,263,086	\$186,677	\$7,902	\$1,442,112	\$1,449,581



Investment Program

Although the Pooled Money Investment Board designates how much shall be invested in interest-bearing time accounts and securities, it is the responsibility of the State Treasurer to administer the investment program on a day-to-day basis in line with overall Board policy. This entails a daily determination of amounts available for investment, or the need for liquidating securities to meet estimated warrant redemption requirements, while maintaining the approved compensating balance position. This means that the State Treasurer must continually adjust the estimates for receipts and disbursements to reflect current available information.

For the 2003-04 fiscal year, investments in time deposits ranged from \$5,567,295,000 to \$5,882,295,000 and averaged \$5,726,197,186. There were 1,512 transactions totaling \$32,315,080,000 during the year. California commercial banks, savings banks and credit unions receiving these State deposits must secure them with approved securities having a market value of at least 110 percent of the deposits or with approved promissory notes secured by mortgages or deeds of trust having a market value of at least 150 percent of the deposits. The same collateral requirements also apply to the State's demand accounts. At the end of fiscal year 2003-04, interest-bearing time deposits were held by 77 commercial banks, 13 credit unions and 16 savings banks throughout California. For the fiscal year, PMIA holdings in time deposits had an average yield of 1.07 percent.

The amount of money designated by the Board for investment in securities varies dramatically throughout the year. Such designations are made at least monthly, and again, the State Treasurer handles the actual investments, determining the issue and maturity of authorized securities to be bought or sold in accordance with cash needs and both current and projected market conditions. During fiscal year 2003-04, there were 2,578 security purchase transactions and 2,540 security sales or redemption transactions, with a total investment activity of \$236.8 billion.

Total earnings for the Pooled Money Investment Account in fiscal year 2003-04 were \$836,071,666. These earnings were credited as follows:

General Fund	\$124,841,181
Fish and Game Preservation Fund	\$ 111,975
Surplus Money Investment Fund	\$369,608,853
Local Agency Investment Fund	\$339,536,012
Public Employee's Retirement Fund	\$ 1,199,821
State Teacher's Retirement Fund	\$ 773,826

Earnings consisted of \$771,823,326 from security investments at an average 1.59 percent yield, \$61,297,883 from time deposits at an average 1.07 percent yield and \$2,950,457 from General Fund loans at an average 1.54 percent yield. The overall return on investment was 1.53 percent.

The portfolio holdings of the Pooled Money Investment Account for the 2003-04 fiscal year are illustrated in the following tables:

<p align="center">Schedule of Security Purchases by Term 2003-04 Fiscal Year (At Cost - \$ In Thousands)</p>							
Month	Under 10 Days	10-29 Days	30-89 Days	90 Days- 1 Year	1 - 3 Years	Over 3 Years	TOTALS
July 2003	\$3,104,960	\$464,784	\$3,069,048	\$3,700,166	\$104,314	\$207,849	\$ 10,651,121
August	989,936	534,747	1,459,178	3,836,741	354,292	17,044	7,191,938
September	1,660,366	1,518,851	2,790,470	5,074,743	121,817	26,233	11,192,480
October	389,987	0	1,148,990	6,647,599	83,593	99,686	8,369,855
November	1,135,849	1,114,393	482,995	4,784,913	0	72,970	7,591,120
December	401,412	981,737	1,908,352	5,250,940	0	0	8,542,441
January 2004	349,969	21,982	537,934	3,891,010	0	35,746	4,836,641
February	2,249,712	2,395,462	3,277,490	1,788,157	0	0	9,710,821
March	1,104,582	877,138	4,075,532	2,721,334	0	28,528	8,807,114
April	489,952	524,684	2,412,167	11,619,751	301,568	7,472	15,355,594
May	1,476,136	952,614	1,621,888	9,269,635	1,654,074	26,904	15,001,251
June	1,294,981	1,810,868	1,914,911	6,105,970	183,318	15,039	11,325,087
Total	\$14,647,842	\$11,197,260	\$24,698,955	\$64,690,959	\$2,802,976	\$537,471	\$118,575,463
Percent	12.35%	9.44%	20.83%	54.56%	2.37%	0.45%	100.00%

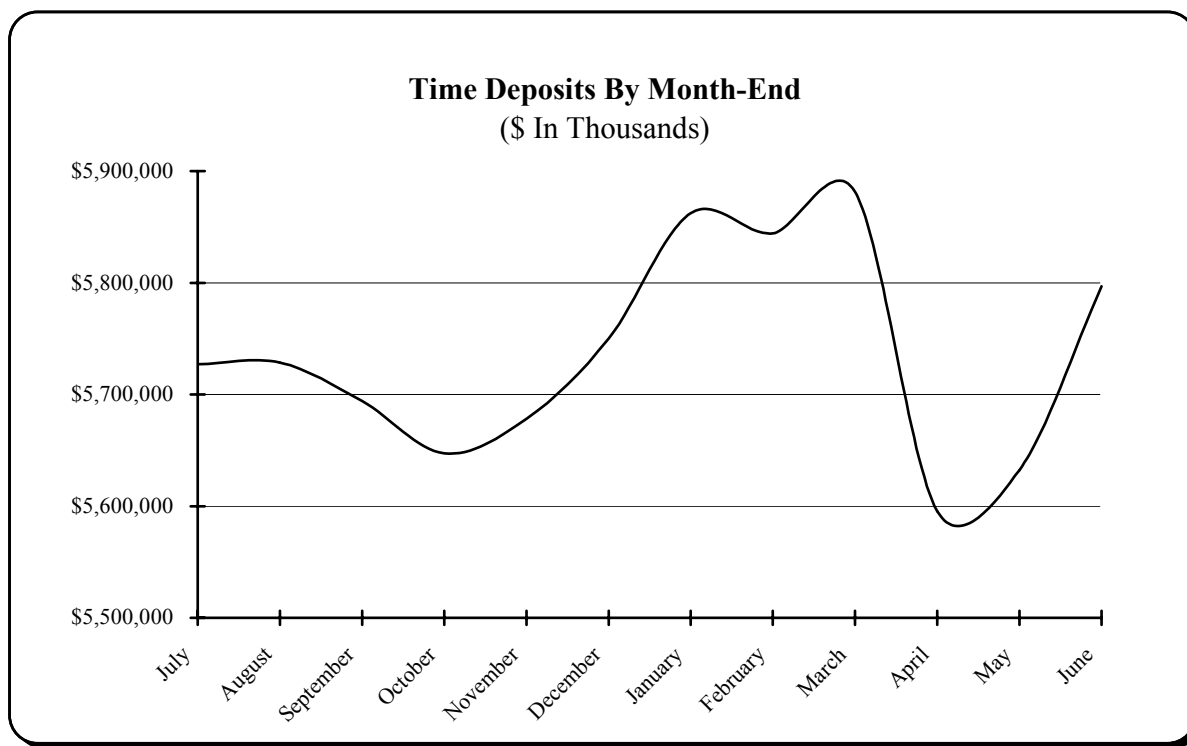
Source: State Treasurer's Office, Division of Investments

<p align="center">Analysis of Portfolio 2003-04 Fiscal Year</p>						
Type Of Security	Average Daily Portfolio	Percent Of Portfolio	Earnings For Year	Effective Percentage Yield For Year	Average Portfolio Life on 6/30/04 (In Days)	Percent Of Portfolio On 6/30/04
U.S. Treasury Bills/Strips	\$1,465,316,399	2.68	\$14,575,972	0.99	109	4.32
U.S. Treasury Bonds & Notes	7,196,852,092	13.19	167,843,129	2.33	403	9.06
Federal Agency Cpn Securities	4,370,709,491	8.01	116,523,779	2.67	438	7.40
Federal Agency Discount Notes	9,779,874,367	17.92	108,451,310	1.11	134	19.42
GNMA	516,133	0.00	61,530	11.92	4,381	0.00
FHLMC	7,162,951	0.01	507,463	7.08	4,381	0.68
Negotiable CDs	8,815,216,835	16.15	99,188,729	1.13	116	18.26
Time Deposits	5,726,197,186	10.49	61,297,883	1.07	57	10.06
Bankers Acceptances	0	0.00	0	0.00	0	0.00
Commercial Paper	9,581,969,019	17.56	108,232,295	1.13	39	19.32
Corporate Bonds	1,827,183,928	3.35	62,608,966	3.43	434	2.83
Repurchase Agreements	18,032,787	0.03	187,394	1.04	40	0.00
Reverse Repurchase Agreements	(93,142,225)	-0.17	(410,842)	0.44	89	0.00
AB 55 Loans	5,693,922,307	10.43	94,053,601	1.65	232	8.65
General Fund Loans	192,038,524	0.35	2,950,457	1.54	73	0.00
Total Portfolio	\$54,581,849,794	100%	\$836,071,666	1.53%	196	100%

Source: State Treasurer's Office, Division of Investments

Time Deposits by Month-End 2003-04 Fiscal Year

Month	Total
July 2003.....	\$ 5,727,095,000
August.....	5,728,595,000
September.....	5,694,095,000
October.....	5,647,095,000
November.....	5,678,095,000
December.....	5,750,095,000
January 2004.....	5,862,095,000
February.....	5,844,095,000
March.....	5,881,295,000
April.....	5,595,295,000
May.....	5,632,295,000
June.....	5,796,795,000



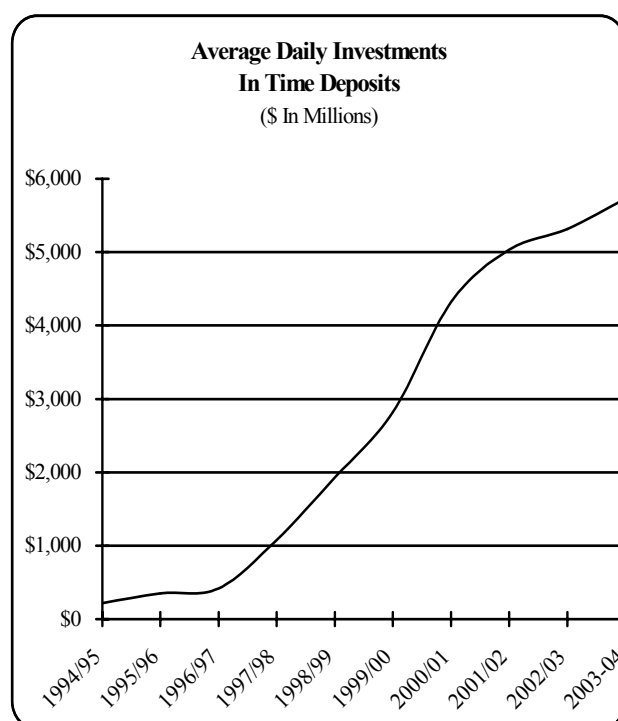
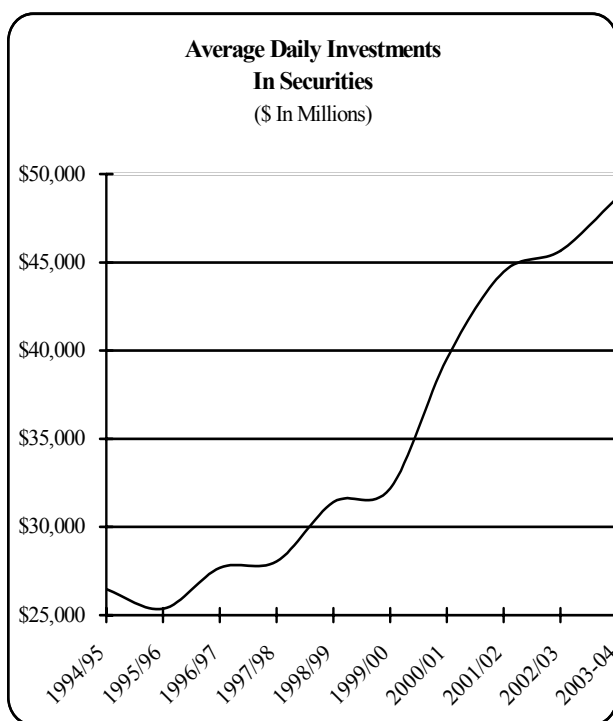
Source: State Treasurer's Office, Division of Investments

Summary of Investments and Earnings

Fiscal Years Ending June 30, 1995 through 2004

(\$ In Thousands)

Investment in Securities				Investment in Time Deposits			
Fiscal Year	Average Daily		Earnings Rate (%)	Fiscal Year	Average Daily		Earnings Rate (%)
	Investment	Earnings			Investment	Earnings	
1994-95	26,468,520	1,465,018	5.54	1994-95	217,522	12,218	5.62
1995-96	25,362,783	1,448,002	5.71	1995-96	351,060	19,416	5.53
1996-97	27,674,553	1,550,599	5.60	1996-97	419,648	22,376	5.33
1997-98	28,034,192	1,601,603	5.71	1997-98	1,076,268	57,452	5.34
1998-99	31,409,593	1,688,570	5.38	1998-99	1,928,600	93,095	4.83
1999-00	32,177,870	1,845,503	5.74	1999-00	2,820,736	152,310	5.40
2000-01	39,522,485	2,424,943	6.14	2000-01	4,317,936	251,215	5.82
2001-02	44,467,159	1,563,523	3.52	2001-02	5,031,747	143,920	2.86
2002-03	45,644,967	1,013,254	2.22	2002-03	5,313,015	84,296	1.59
2003-04	48,663,614	771,823	1.59	2003-04	5,726,197	61,298	1.07



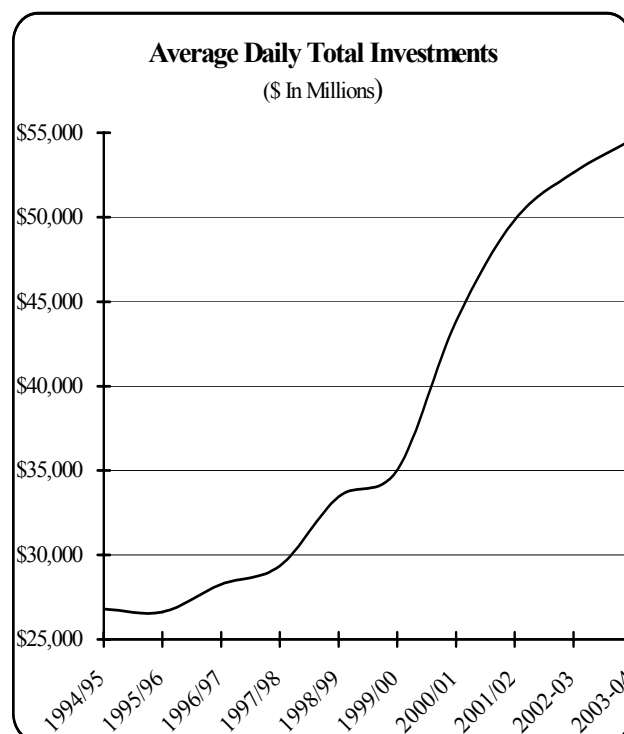
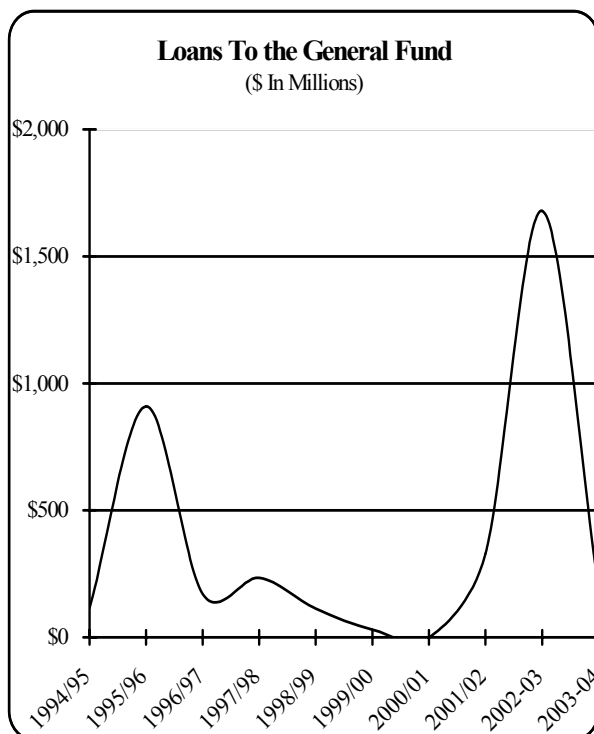
Source: State Treasurer's Office, Division of Investments

Summary of Investments and Earnings

Fiscal Years Ending June 30, 1995 through 2004

(\$ In Thousands)

Loans to General Fund				Total Investments			
Fiscal Year	Average Daily Investment	Earnings	Earnings Rate (%)	Fiscal Year	Average Daily Investment	Earnings	Earnings Rate (%)
1994-95	116,081	5,338	4.60	1994-95	26,802,123	1,482,574	5.53
1995-96	909,353	51,602	5.67	1995-96	26,623,196	1,519,020	5.71
1996-97	169,868	9,468	5.57	1996-97	28,264,069	1,582,443	5.60
1997-98	234,052	13,327	5.69	1997-98	29,344,512	1,672,382	5.70
1998-99	112,895	6,099	5.40	1998-99	33,451,088	1,787,764	5.34
1999-00	30,428	1,670	5.49	1999-00	35,029,034	1,999,483	5.71
2000-01	-	-	-	2000-01	43,840,421	2,676,158	6.10
2001-02	328,171	9,102	2.77	2001-02	49,827,077	1,716,545	3.45
2002-03	1,678,666	35,380	2.11	2002-03	52,636,648	1,132,930	2.15
2003-04	192,039	2,950	1.54	2003-04	54,581,850	836,072	1.53



Source: State Treasurer's Office, Division of Investments

Financial Community Coverage

The following firms conducted investment transactions with the State Treasurer's Office
During the 2003-04 Fiscal Year.

America California Bank	Golden Gate Bank	San Luis Trust Bank
American Express Credit Corp.	Goldman, Sachs & Company	Santa Clara County FCU
American River Bank	Hacienda Bank	Scotia Capital Markets (USA) Inc.
Banc of America Securities LLC	Hanmi Bank	Sears Roebuck Acceptance Corp.
Banc One Capital Markets, Inc.	Hawthorne Savings, FSB	Service 1st Bank
Bank of East Asia (USA), N.A.	Heritage Bank of Commerce	Signature Securities Group Corp.
Bank of Lodi, N.A.	Household Finance Corporation	Silvergate Bank
Bank of Montreal	HSBC Securities (USA) Inc.	Societe Generale
Bank of Nova Scotia	J.P. Morgan Securities, Inc.	State Bank of India (California)
Bank of Petaluma	Jackson Federal Bank	Sterlent Credit Union
Bank of Sacramento	Kaplan & Company Securities Inc.	Stone and Youngberg, LLC
Bank of Santa Clara	La Jolla Bank, FSB	Sunwest Bank
Bank of the Sierra	Lake Community Bank	Sutter Securities Inc.
Bank of the West	Lehman Brothers Holdings, Inc.	The Mechanics Bank
Bay Bank of Commerce	Loop Capital Markets, LLC	Toyota Motor Credit Corporation
Bear Stearns and Company, Inc.	Malaga Bank, SSB	Trans Pacific National Bank
BNP Paribas	Mellon First Business Bank, N.A.	Travis Credit Union
Broadway Federal Bank, FSB	Merchants National Bank of Sacramento	Tri Counties Bank
Business Bank of California	Meriwest Credit Union	Trust Bank
Calyon New York	Merrill Lynch Capital Markets	U.S. Bancorp
Cantor Fitzgerald Securities	Mesirow Financial, Inc.	U.S. Bank, N.A.
Cathay Bank	Metropolitan Bank	UBS Securities
Cedars Bank	MFR Securities, Inc.	Union Bank of California, N.A.
Center Bank	Mid Peninsula Bank	Union Safe Deposit Bank
Central California Bank	Mid State Bank & Trust	United Commercial Bank
CHB America Bank	Mirae Bank	United Security Bank
China Trust Bank (USA)	Mission Community Bank	Valley Community Bank
CIBC	Mission Federal Credit Union	Valley Independent Bank
CIBC Oppenheimer	Mizuho Securities USA, Inc.	Verdugo Banking Company
Citibank (West), FSB	Morgan Stanley and Company	Vining Sparks
Citigroup Global Markets Inc.	Mt. Diablo National Bank	Washington Mutual Bank, FA
CitiGroup Inc.	Nara Bank, N.A.	Wells Fargo Institutional Securities, LLC
Citizens Business Bank	National Bank of the Redwoods	Wescom Credit Union
Coast Commercial Bank	Neighborhood National Bank	WestAmerica Bank
Comerica Bank	Nomura Securities Int'l, Inc.	Western Federal Credit Union
Commercial Capital Bank	North Coast Bank	Western Sierra National Bank
Community Bank	North Island Financial Credit Union	Williams Capital Group, L.P.
Constitution Capital Corporation	North Valley Bank	Wilshire State Bank
County Bank	Oak Valley Community Bank	Xerox Federal Credit Union
Credit Agricole Indosuez	Oceanic Bank	
Credit Suisse First Boston Corp.	Omni Bank, N.A.	
Cupertino National Bank and Trust	One United Bank	
D.A. Davidson and Company	Operating Engineers Local #3 FCU	
East West Bank	Orange County Business Bank, N.A.	
Eastern International Bank	Pacific Capital Bank, N.A.	
El Dorado Savings Bank	Pacific State Bank	
Euro Brokers, Inc.	Pacific Union Bank	
EverTrust Bank	Pacific Western National Bank	
Farmers & Merchants Bank of Central California	Peninsula Bank of Commerce	
First Bank of Beverly Hills, FSB	PFF Bank & Trust	
First Bank of San Luis Obispo	Preferred Bank	
First California Bank	Premier America Credit Union	
First Coastal Bank, N.A.	Provident Central Credit Union	
First Future Credit Union	Provident Savings Bank	
First Matrix Inv. Services Corp.	Pryor, McClendon, Counts & Co., Inc.	
First State Bank of California	Quaker City Bank	
First United Bank	Redwood Securities Group, Inc.	
Five Star Bank	River City Bank	
Ford Motor Credit Company	Robert Van Securities, Inc.	
Fullerton Community Bank, FSB	Royal Bank of Scotland	
Garban Capital Markets	Saehan Bank	
General Electric Capital Corporation	SAFE Credit Union	
General Motors Acceptance Corporation	San Jose National Bank	

Surplus Money Investment Fund

Program Summary

The Surplus Money Investment Fund consists of the available cash of all special funds which do not have investment authority of their own, and all or a portion of the available cash of special funds having investment authority of their own, but which have elected to be included in the program. Cash balances in excess of needs in any of these participating funds are invested by the State Treasurer.

The Pooled Money Investment Board is responsible for determining whether any cash balances of the participating funds are in excess of current needs and available for investment, or whether it is necessary to liquidate previous investments to meet current requirements. This determination is performed operationally by the State Controller's Office by means of a continuing review of the cash balances of the participating funds.

As a result of these determinations, the State Controller prepares a document for the Pooled Money Investment Board's approval which authorizes the State Controller to increase or decrease the invested balances of the applicable funds.

All of the resources of the Surplus Money Investment Fund are invested through the Pooled Money Investment Account. Prior to the 1967-68 fiscal year, the Surplus Money Investment Fund was a separate investment program. In 1967, legislation was enacted (Chapter 505, Statutes 1967) which provided that money in the Surplus Money Investment Fund shall be invested through the Pooled Money Investment Account. This legislation further provided that the Surplus Money Investment Fund would share in the interest earnings of the Pooled Money Investment Account based on the ratio that the dollar-day contributions of the Surplus Money Investment Fund bear to the dollar-day investments of the Pooled Money Investment Account.

This legislation increased the potential investment earnings for both programs, since their high and low resource periods tend to complement each other. Consequently, under normal market conditions, more long-term, higher yielding securities may be purchased.

Earnings for 2003-04

Gross earnings totaled \$369,608,853 for the 2003-04 fiscal year. This represents an earning rate of 1.53 percent for this investment program.

SMIF earnings are computed on a dollar-day basis to guarantee equitable distribution among all member funds. An apportionment of the earnings is made by the Controller twice yearly as of December 31 and June 30.

Participation

There were over one thousand special funds and accounts participating in the Surplus Money Investment Fund as of the last day of the fiscal year, June 30, 2004. Their combined deposits totaled \$24,793,175,000.

Large contributors as of June 30, 2004 were the: Department of Water Resources Electric Power Fund, \$2,750,963,000; California Housing Finance Fund, \$1,804,213,000; State School Facilities Fund 2002, \$1,653,082,000; Unemployment Compensation Disability Fund, \$1,509,321,000; Public Buildings Construction Fund, \$1,402,936,000; Compensation Insurance Fund, \$681,861,000; Public Employees' Retirement Fund, \$659,517,000; Vets Farm/Home Building 1943, \$582,286,000; Motor Vehicle License Fee, \$344,747,000.

The Year in Review

Resources.....	\$ 24.097 billion per day on average
Earnings.....	\$ 369.6 million
Earning Rate.....	1.53 percent

Source: State Treasurer's Office, Division of Cash Management

Monthly deposit balances are shown in the following table:

**Resources of
The Surplus Money Investment Fund
2003-04 Fiscal Year (Month-End Balances)**

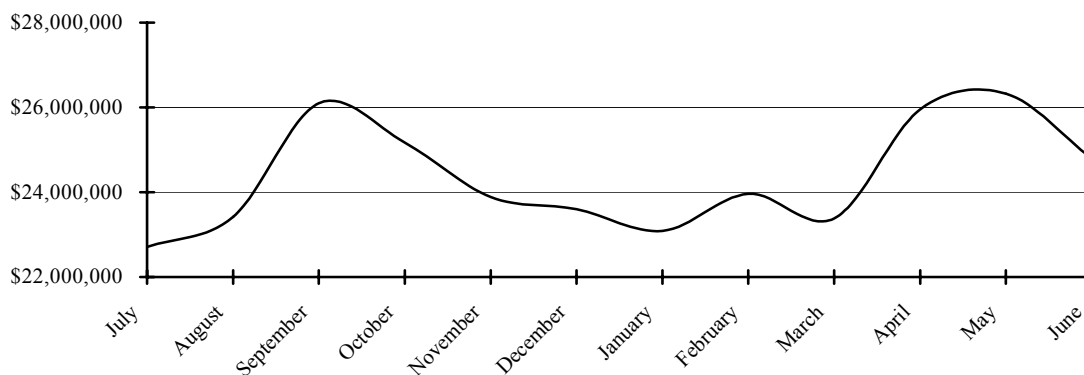
Month	Total
July 2003.....	\$22,705,950,000
August.....	23,417,074,000
September.....	26,096,377,000
October.....	25,170,151,000
November.....	23,884,634,000
December.....	23,601,357,000
January 2004.....	23,083,177,000
February.....	23,958,917,000
March.....	23,378,030,000
April.....	25,956,270,000
May.....	26,327,384,290
June.....	24,793,175,000

Resources of the Surplus Money Investment Fund

2003-04

Fiscal Year (Month-End Balances)

(\$ In Thousands)



Source: State Controller's Office, *Report of Cash Assets of all Funds in the State Treasury*

Program Summary

The Local Agency Investment Fund was established by Chapter 730, Statutes of 1976. This fund enables local governmental agencies or trustees to remit money not required for immediate needs to the State Treasurer for the purpose of investment. In order to derive the maximum rate of return possible, the State Treasurer has elected to invest these monies with State monies as a part of the Pooled Money Investment Account.

Each participating agency determines the length of time its money will be on deposit with the State Treasurer with the exception of bond proceeds, which must remain for a minimum of 30 days. At the end of each calendar quarter, all earnings derived from investments are distributed by the State Controller to the participating government agencies in proportion to each agency's respective amounts deposited in the Fund and the length of time such amounts remained therein. Prior to the distribution, the State's reasonable costs of administering this program are deducted from the earnings.

Earnings for 2003-04

Gross earnings for fiscal year 2003/04 totaled \$339,536,012. This represented a 1.53 percent yield for this investment program.

Participation

As of June 30, 2004, there were 2,750 participants in the Local Agency Investment Fund consisting of 54 counties, 472 cities, 1,746 special districts, 282 trustees and 196 bond accounts. Deposits in the fund averaged \$22.145 billion for the year.

The Year in Review

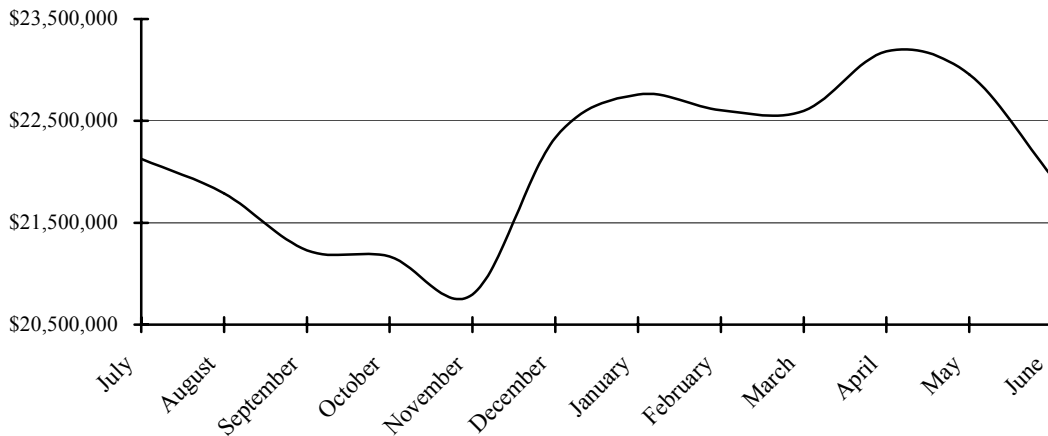
Resources.....	\$	22,144.50	million per day on average
Earnings.....	\$	339.50	million
Earning Rate.....		1.53	percent
Participation.....		2,750	Agencies or accounts at year-end.

The following table shows monthly resources of the Local Agency Investment Fund.

**Resources of
The Local Agency Investment Fund
2003-04 Fiscal Year (Month-End Balances)**

Month	Total
July 2003.....	\$22,126,295,645
August.....	21,787,821,946
September.....	21,230,183,694
October.....	21,169,358,510
November.....	20,794,859,815
December.....	22,333,950,670
January 2004.....	22,758,911,950
February.....	22,605,020,378
March.....	22,598,009,783
April.....	23,181,327,804
May.....	22,955,093,702
June.....	21,950,644,962

**Resources of the Local Agency Investment Fund
2003-04 Fiscal Year (Month-End Balances)**
(\$ In Thousands)



Appendices

Appendix A

Pooled Money Investment Account Summary of Investments and Earnings (\$In Thousands)

Fiscal Year	Average Investment Portfolio	Earnings	Annual Earnings Rate (Percent)	Average Earning Rate (Percent)		
				5 Years	10 Years	15 years
1957-58	\$ 594,306	\$ 16,421	2.76			
1958-59	544,868	15,762	2.89			
1959-60	614,835	21,045	3.42			
1960-61	736,204	28,139	3.82	3.23		
1961-62	867,144	26,521	3.06	3.19		
1962-63	910,863	30,548	3.35	3.31		
1963-64	896,535	32,519	3.63	3.46		
1964-65	966,592	38,004	3.93	3.56		
1965-66	1,083,347	47,761	4.41	3.68	3.48	
1966-67	1,057,800	52,540	4.97	4.06	3.62	
1967-68	1,117,717	56,566	5.06	4.40	3.85	
1968-69	1,301,302	78,174	6.01	4.88	4.17	
1969-70	1,216,414	84,781	6.97	5.48	4.52	
1970-71	1,264,894	77,527	6.13	5.83	4.75	4.32
1971-72	1,397,494	68,350	4.89	5.81	4.93	4.35
1972-73	2,254,401	125,116	5.55	5.91	5.15	4.54
1973-74	2,594,629	232,780	8.97	6.50	5.69	4.94
1974-75	2,749,431	238,298	8.67	6.84	6.16	5.29
1975-76	3,209,143	204,303	6.37	6.89	6.36	5.46
1976-77	4,460,487	261,657	5.87	7.08	6.45	5.65
1977-78	6,843,940	458,625	6.70	7.31	6.61	5.87
1978-79	8,123,266	692,417	8.52	7.22	6.86	6.20
1979-80	8,285,941	873,469	10.54	7.60	7.22	6.64
1980-81	7,298,693	786,877	10.78	8.48	7.69	7.07
1981-82	5,234,524	631,968	12.07	9.72	8.40	7.54
1982-83	5,254,589	549,229	10.45	10.47	8.89	7.90
1983-84	7,094,849	738,462	10.41	10.85	9.04	8.19
1984-85	11,903,660	1,275,503	10.72	10.89	9.24	8.44
1985-86	15,438,406	1,401,990	9.08	10.55	9.51	8.64
1986-87	19,167,196	1,425,047	7.43	9.62	9.67	8.81
1987-88	17,628,558	1,388,074	7.87	9.10	9.79	8.96
1988-89	17,496,405	1,516,767	8.67	8.75	9.80	8.94
1989-90	19,558,775	1,692,905	8.66	8.34	9.61	8.94
1990-91	20,754,895	1,663,140	8.01	8.13	9.34	9.05
1991-92	21,456,433	1,329,476	6.20	7.88	8.75	9.07
1992-93	23,051,543	1,085,126	4.71	7.25	8.18	8.94
1993-94	25,433,078	1,115,660	4.39	6.39	7.57	8.67
1994-95	26,802,123	1,482,574	5.53	5.77	7.05	8.33
1995-96	26,623,196	1,519,020	5.71	5.31	6.72	7.99
1996-97	28,264,069	1,582,443	5.60	5.19	6.53	7.56
1997-98	29,344,512	1,672,382	5.70	5.38	6.32	7.25
1998-99	33,451,088	1,787,765	5.34	5.58	5.98	6.91
1999-00	35,029,034	1,999,483	5.71	5.61	5.69	6.57
2000-01	43,840,421	2,676,158	6.10	5.69	5.50	6.37
2001-02	49,827,077	1,716,545	3.45	5.26	5.22	6.11
2002-03	52,636,648	1,132,930	2.15	4.55	4.97	5.73
2003-04	54,581,850	836,072	1.53	3.79	4.68	5.25

Source: The average investment portfolio, earnings and annual earnings rate were taken from the published *Annual Report of the Pooled Money Investment Board* for each fiscal year. Please see the following note.

NOTE TO PMIA SUMMARY OF INVESTMENTS AND EARNINGS TABLE

The Pooled Money Investment Board was established as an agency of State government by Chapter 1703, Statutes of 1955, and became operational in April 1956. The 1956-57 fiscal year was the first full year for the Pooled Money Investment Account (PMIA). In 1957-58, the Surplus Money Investment Fund (SMIF) and the Condemnation Deposits Fund (CDF) were placed under the administration of the PMIB. Separate investment portfolios were managed for these two funds for a number of years. SMIF operated this way until the 1967-68 fiscal year, when legislation allowed this fund to be invested as a part of the PMIA. The CDF continued as a separate investment portfolio until 1975, when it also was combined with the PMIA. In order to make data for the early years in the table comparable to the later years (1975-76 and after), the average daily investment and the annual earnings for both SMIF and CDF were combined with those for the PMIA. The earning rates for these early years were computed using these combined figures.

Appendix B

HISTORICAL PMIA YIELDS

(Yield In Percent Per Annum)

			ALLOCATION RATE	
	MONTHLY	ANNUAL	LAIF	SMIF
DATE	AVERAGE	AVERAGE	QUARTERLY	SEMI-ANNUAL
Jan-77	5.77			
Feb-77	5.66			
Mar-77	5.66		5.68	
Apr-77	5.65			
May-77	5.76			
Jun-77	5.85	5.87	5.78	5.79
Jul-77	5.93			
Aug-77	6.05			
Sep-77	6.09		5.84	
Oct-77	6.39			
Nov-77	6.61			
Dec-77	6.73		6.45	6.18
Jan-78	6.92			
Feb-78	7.05			
Mar-78	7.14		6.97	
Apr-78	7.27			
May-78	7.39			
Jun-78	7.57	6.70	7.35	7.17
Jul-78	7.65			
Aug-78	7.82			
Sep-78	7.87		7.86	
Oct-78	8.11			
Nov-78	8.29			
Dec-78	8.77		8.32	8.09
Jan-79	8.78			
Feb-79	8.90			
Mar-79	8.82		8.81	
Apr-79	9.08			
May-79	9.05			
Jun-79	9.22	8.52	9.10	8.98
Jul-79	9.20			
Aug-79	9.53			
Sep-79	9.26		9.26	
Oct-79	9.81			
Nov-79	10.22			
Dec-79	10.22		10.06	9.66

HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-80	10.98	10.54	11.11	11.38
Feb-80	11.25			
Mar-80	11.49			
Apr-80	11.48		11.54	11.38
May-80	12.02			
Jun-80	11.80			
Jul-80	10.21		10.01	10.21
Aug-80	9.87			
Sep-80	9.95			
Oct-80	10.06		10.47	10.21
Nov-80	10.43			
Dec-80	10.96			
Jan-81	10.99	10.78	11.23	11.69
Feb-81	11.69			
Mar-81	11.13			
Apr-81	11.48		11.68	11.69
May-81	12.18			
Jun-81	11.44			
Jul-81	12.35		12.40	12.19
Aug-81	12.84			
Sep-81	12.06			
Oct-81	12.40		11.91	12.19
Nov-81	11.89			
Dec-81	11.48			
Jan-82	11.68	12.07	11.82	11.93
Feb-82	12.04			
Mar-82	11.84			
Apr-82	11.77		11.99	11.93
May-82	12.27			
Jun-82	11.99			
Jul-82	12.24		11.74	11.26
Aug-82	11.91			
Sep-82	11.15			
Oct-82	11.11		10.71	11.26
Nov-82	10.70			
Dec-82	10.40			

HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

			ALLOCATION RATE	
DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-83	10.25	10.45	9.87	9.98
Feb-83	9.89			
Mar-83	9.69			
Apr-83	9.87		10.04	10.15
May-83	9.53			
Jun-83	9.60			
Jul-83	9.88		10.32	10.63
Aug-83	10.08			
Sep-83	10.20			
Oct-83	10.18		11.53	11.44
Nov-83	10.16			
Dec-83	10.23			
Jan-84	10.31	10.41	10.88	10.19
Feb-84	10.28			
Mar-84	10.38			
Apr-84	10.59		9.54	9.50
May-84	10.84			
Jun-84	11.12			
Jul-84	11.36		11.41	11.44
Aug-84	11.56			
Sep-84	11.60			
Oct-84	11.68		10.32	10.19
Nov-84	11.47			
Dec-84	11.02			
Jan-85	10.58	10.72	9.98	10.19
Feb-85	10.29			
Mar-85	10.12			
Apr-85	10.03		9.43	9.50
May-85	10.18			
Jun-85	9.74			
Jul-85	9.66		9.54	9.50
Aug-85	9.42			
Sep-85	9.57			
Oct-85	9.48		9.43	9.50
Nov-85	9.49			
Dec-85	9.37			

HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

			ALLOCATION RATE	
			LAIF	SMIF
DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	QUARTERLY	SEMI-ANNUAL
Jan-86	9.25	9.08	9.09	8.70
Feb-86	9.09			
Mar-86	8.96			
Apr-86	8.62			
May-86	8.37			
Jun-86	8.23			
Jul-86	8.14		7.81	7.65
Aug-86	7.84			
Sep-86	7.51			
Oct-86	7.59			
Nov-86	7.43			
Dec-86	7.44			
Jan-87	7.37	7.44	7.24	7.23
Feb-87	7.16			
Mar-87	7.21			
Apr-87	7.04			
May-87	7.29			
Jun-87	7.29			
Jul-87	7.46		7.54	7.80
Aug-87	7.56			
Sep-87	7.71			
Oct-87	7.83			
Nov-87	8.12			
Dec-87	8.07			
Jan-88	8.08	7.87	8.01	7.95
Feb-88	8.05			
Mar-88	7.95			
Apr-88	7.94			
May-88	7.82			
Jun-88	7.93			
Jul-88	8.09		8.20	8.34
Aug-88	8.25			
Sep-88	8.34			
Oct-88	8.40			
Nov-88	8.47			
Dec-88	8.56			

HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-89	8.70	8.67	8.76	8.97
Feb-89	8.77			
Mar-89	8.87			
Apr-89	8.99		9.13	8.97
May-89	9.23			
Jun-89	9.20			
Jul-89	9.06		8.87	8.78
Aug-89	8.83			
Sep-89	8.80			
Oct-89	8.77		8.68	8.78
Nov-89	8.69			
Dec-89	8.65			
Jan-90	8.57	8.66	8.52	8.52
Feb-90	8.54			
Mar-90	8.51			
Apr-90	8.50		8.50	8.52
May-90	8.53			
Jun-90	8.54			
Jul-90	8.52		8.39	8.34
Aug-90	8.38			
Sep-90	8.33			
Oct-90	8.32		8.27	8.34
Nov-90	8.27			
Dec-90	8.28			
Jan-91	8.16	8.01	7.97	7.67
Feb-91	8.00			
Mar-91	7.78			
Apr-91	7.67		7.38	7.67
May-91	7.37			
Jun-91	7.17			
Jul-91	7.10		7.00	6.74
Aug-91	7.07			
Sep-91	6.86			
Oct-91	6.72		6.52	6.74
Nov-91	6.59			
Dec-91	6.32			

HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-92	6.12	6.20	5.87	5.65
Feb-92	5.86			
Mar-92	5.68			
Apr-92	5.69		5.45	4.82
May-92	5.38			
Jun-92	5.32			
Jul-92	5.24		4.97	4.61
Aug-92	4.96			
Sep-92	4.76			
Oct-92	4.73		4.67	4.39
Nov-92	4.66			
Dec-92	4.65			
Jan-93	4.68	4.71	4.64	4.36
Feb-93	4.65			
Mar-93	4.62			
Apr-93	4.61		4.51	4.36
May-93	4.43			
Jun-93	4.55			
Jul-93	4.44		4.44	4.36
Aug-93	4.47			
Sep-93	4.43			
Oct-93	4.38		4.36	4.36
Nov-93	4.37			
Dec-93	4.38			
Jan-94	4.36	4.39	4.25	4.36
Feb-94	4.18			
Mar-94	4.25			
Apr-94	4.33		4.45	5.15
May-94	4.43			
Jun-94	4.62			
Jul-94	4.82		4.96	5.15
Aug-94	4.99			
Sep-94	5.11			
Oct-94	5.24		5.37	5.15
Nov-94	5.38			
Dec-94	5.53			

HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

MONTHLY ANNUAL DATE AVERAGE AVERAGE			ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-95	5.61	5.53	5.76	5.87
Feb-95	5.78			
Mar-95	5.93			
Apr-95	5.96		5.98	
May-95	6.01			
Jun-95	6.00			
Jul-95	5.97		5.89	
Aug-95	5.91			
Sep-95	5.83			
Oct-95	5.78		5.76	
Nov-95	5.81			
Dec-95	5.75			
Jan-96	5.70	5.71	5.62	5.56
Feb-96	5.64			
Mar-96	5.56			
Apr-96	5.54		5.52	
May-96	5.50			
Jun-96	5.55			
Jul-96	5.59		5.57	
Aug-96	5.57			
Sep-96	5.60			
Oct-96	5.60		5.58	
Nov-96	5.60			
Dec-96	5.57			
Jan-97	5.58	5.59	5.56	5.59
Feb-97	5.58			
Mar-97	5.58			
Apr-97	5.61		5.63	
May-97	5.63			
Jun-97	5.67			
Jul-97	5.68		5.68	
Aug-97	5.69			
Sep-97	5.71			
Oct-97	5.71		5.71	
Nov-97	5.72			
Dec-97	5.74			

HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

			ALLOCATION RATE	
			LAIF	SMIF
DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	QUARTERLY	SEMI-ANNUAL
Jan-98	5.74	5.70	5.70	5.67
Feb-98	5.72			
Mar-98	5.68			
Apr-98	5.67			
May-98	5.67			
Jun-98	5.67		5.66	
Jul-98	5.65		5.64	
Aug-98	5.65			
Sep-98	5.64			
Oct-98	5.56			
Nov-98	5.49			
Dec-98	5.37		5.46	
Jan-99	5.26	5.34	5.19	5.55
Feb-99	5.21			
Mar-99	5.14			
Apr-99	5.12			
May-99	5.09			
Jun-99	5.09		5.08	
Jul-99	5.18		5.21	
Aug-99	5.22			
Sep-99	5.27			
Oct-99	5.39			
Nov-99	5.48			
Dec-99	5.64		5.49	
Jan-00	5.76	5.71	5.80	5.34
Feb-00	5.82			
Mar-00	5.85			
Apr-00	6.01		6.18	
May-00	6.19			
Jun-00	6.35			

HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jul-00	6.44	6.10	6.47	6.49
Aug-00	6.50			
Sep-00	6.50			
Oct-00	6.52		6.52	6.49
Nov-00	6.54			
Dec-00	6.53			
Jan-01	6.37		6.16	5.73
Feb-01	6.17			
Mar-01	5.98			
Apr-01	5.76		5.32	5.73
May-01	5.33			
Jun-01	4.96			
Jul-01	4.63	3.45	4.47	3.99
Aug-01	4.50			
Sep-01	4.29			
Oct-01	3.78		3.52	3.99
Nov-01	3.53			
Dec-01	3.26			
Jan-02	3.07		2.96	2.85
Feb-02	2.97			
Mar-02	2.86			
Apr-02	2.84		2.75	2.85
May-02	2.74			
Jun-02	2.69			
Jul-02	2.71	2.63	2.63	2.47
Aug-02	2.59			
Sep-02	2.60			
Oct-02	2.49		2.31	2.47
Nov-02	2.30			
Dec-02	2.20			

HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF * SEMI-ANNUAL
Jan-03	2.10	2.15	1.98	1.86
Feb-03	1.94			
Mar-03	1.90			
Apr-03	1.86			
May-03	1.77		1.77	1.86
Jun-03	1.70			
Jul-03	1.65			
Aug-03	1.63			
Sep-03	1.64		1.63	1.59
Oct-03	1.60			
Nov-03	1.57			
Dec-03	1.55			
Jan-04	1.53	1.53	1.56	1.59
Feb-04	1.44			
Mar-04	1.47			
Apr-04	1.45			
May-04	1.43		1.44	1.44
Jun-04	1.47			

*Effective January 1, 2004, SMIF earnings will be allocated quarterly.

The State Treasurer's Office complies with the Americans With Disabilities Act (ADA). If you need additional information or assistance, please contact the State Treasurer's Pooled Money Investment Board at (916) 653-2917.

California State Treasurer's Office
915 Capitol Mall
Sacramento, CA 95814
(916) 653-2917